

Company Background



Pine Grove, California

Rural CableTV affiliate of
The Volcano Telephone Company (ILEC)
Licensed as an MVPD by FCC exemption in 1983

Serving portions of Amador and Calaveras Counties
Part of the Sacramento-Stockton-Modesto DMA

Providing:

- *CATV*: 3100 Video subscribers - HFC
- *Telephone*: 9100 Access Lines - Copper
- *DSL*: 6600 Internet subscribers - Copper
- *Cable Modem*: 1100 Internet subscribers - HFC
- *Fixed Wireless*: 600 Internet subscribers – Wi-Fi



CATV System Technical Description



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- Hybrid Fiber Coax (HFC) overbuild to portions of the Telco territory
- 860 MHz plant (RF) – 100% digital and addressable
- MPEG 2 encoding in HD and SD
- MPEG 2 Set Top Boxes (SD-HD-DVR)
- Digital Headend – Off-air antennas, Satellite Reception and Broadband content feeds
- Video-on-Demand enabled

Programming Availability



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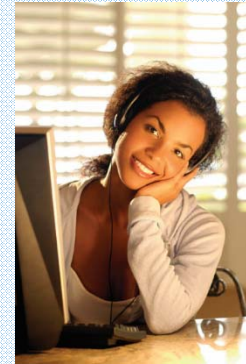
300 uncompressed video channels (78 HD)

- 8 Local HD broadcast channels with 11 multi-casts
- 2 Local Community Access Channels
- 2 Regional Sports Networks
- 50 stereo commercial-free audio channels
- 3 Premium Channel multiplexes
- iGuide – electronic program guide
- Video-on Demand and TV Everywhere

Programming Packages



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Three Programming Packages:

- Lifeline – 50 channels PEG – \$30.70/month
- Basic Pack – 136 video channels – 50 audio – \$85.60/month
- Select Pack – 178 video channels – 50 audio – \$96.60/month

A la carte – Premium multiplexes ranging from \$6.99 to \$30.99/month

Set Top Boxes



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Three Set Top Box Choices

- Standard Definition – \$2.99/month (one no charge with service)
- High Definition – \$7.99/month
- HD/DVR – \$13.99/month

No additional-outlet fees or separate HD-technology fees up to 4 outlets

System Capacity Constraints



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- MPEG 2 is a high-bandwidth and rapidly aging encoding process
- Continued migration to HD channels (at 4x the bandwidth of SD)
- Upcoming introduction of Ultra HD (4K video resolution)
- Ultra HD will likely require MPEG 4 encoding
- Continued growth in On-Demand utilization requiring - more capacity
- Continued pressure for increased broadband speeds - more capacity
- Expanding universe of content availability - more capacity
- More sophisticated User Interfaces will be required

Impediments to adding Independent Programming



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A typical Volcano Vision subscriber is paying \$107.59/month (less taxes and fees). \$60.57 of that goes for programming.

- Expanded Basic with VOD and TV Everywhere
- HD/DVR
- HD STB
- SD STB

The price climbs each year, well in excess of inflation, primarily due to annual programming cost increases.

Impediments to adding Independent Programming



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Some common subscriber complaints are:

- It's too expensive!
- Why do I have to buy all these channels/sports I don't watch?
- Why does the price keep going up? I'm on a fixed income!
- I like your TV service, but can't you offer me **lower cost choices**?
- Why do you have The SEC Network? I want the Pac-12!

Impediments to adding Independent Programming



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It's about the current pay-tv business model

- Forced Bundling from large programmers – consumes capacity
- Restrictive Penetration requirements – “Super Expanded Basic”
- MFN Clauses in large MVPD contracts – more restrictions
- Small operators pay more for the same content than large MVPD's
- Top nine content providers – up to 115 national channels bundled
- Very limited capability to create “skinny bundles” or genre packages

FCC Independent Programming Workshop



Pine Grove, California



Thank you for your attention
and best wishes from Pine Grove, CA

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